

SC STATE OPTIONAL RETIREMENT PLAN

(STATE ORP)

Investment Fees Expense Information and Hypothetical Illustration

Introduction

The State ORP is a defined contribution plan with investment products offered through four companies. The four companies are AIG VALIC, CitiStreet, ING Financial Advisors, LLC and TIAA-CREF. If you are an employee participating in a defined contribution retirement plan, you have assumed responsibility for your retirement income by contributing part of your salary and by directing your own investments. Each of the State ORP investment providers may offer distinctly different options and services regarding funds, local representation, retirement withdrawal restrictions, and other factors. Be diligent in your approach to selecting one of the providers.

There are many factors that could impact your retirement income. Fees and expenses are one of the factors that will affect your investment returns and will impact your retirement income. Participants in a defined contribution plan are encouraged to:

- Make informed investment decisions,
- Consider fees as only one of many factors in your decision making,
- Compare the multitude of options and different services offered by each provider with the total cost, and realize that cheaper is not necessarily better.

Keep in mind, however, that this information is a simplified explanation of fees and is not intended to be investment advice. Also, the performance returns published on the SC State ORP web site are net of fees and expenses.

Why are fees important?

In a defined contribution plan, your final account balance upon distribution will determine the amount of retirement income you will receive from the plan. While contributions to your account and the earnings on your investments may increase your retirement income, fees and expenses may substantially reduce the growth in your account. The following example demonstrates how fees and expenses can impact your account.

Assume that you have an account balance of \$25,000. If you made no additional contributions to your account and if returns on investments in your account over the next 25 years average 7 percent and fees and expenses reduce your average returns by 0.5 percent, your account balance will grow to \$121,000 at retirement. If fees and expenses are 1.5 percent, however, your account balance will grow to only \$95,000. In this example, the 1 percent difference in fees and expenses would reduce your account balance at retirement by 21 percent. As a participant you may welcome the variety of investment alternatives and the services, but be aware of the costs versus the benefit of those services. As shown above, the cumulative effect of the fees and expenses on your retirement savings can be substantial.

SC State ORP Average Investment Fees and Expenses

The average of the expenses being charged to participants for the different investment products is shown in the following graph. This graph does not include the four Guaranteed Fixed Income/Stable Value funds. You can find more information on the withdrawal restrictions and the TIAA-CREF 2 ½ % disintermediation charge against the participant's account for a single lump sum payment from their fixed income Traditional Annuity at termination of employment. Investors should not expect to be charged the exact average expense because of the differences in amounts invested in each fund and the differences in growth of each fund.

**SC State ORP
Average Investment Expenses
June 30, 2004**

